

DealBook Briefing: Facebook Is on the Defensive

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Body

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Facebook pleads ignorance over its latest scandal

After an NYT article on Wednesday described how Mark Zuckerberg and Sheryl Sandberg ignored warning signs of looming crises and then tried to conceal them, the social network fought back:

Ms. Sandberg wrote in a Facebook post that reports that she had stood in the way of fixing the platform's problems were "just plain wrong." She also said that she "did not know" that the company had hired Definers, a P.R. firm that tried to discredit Facebook protesters by linking them to the liberal billionaire George Soros.

Mr. Zuckerberg defended the social network on a call with journalists. "The reality of running a company of more than 10,000 people is that you're not going to know everything that's going on," he said, adding that Ms. Sandberg was "doing great work for the company."

Facebook's board, which includes Mr. Zuckerberg and Ms. Sandberg, defended the two executives. "As a board, we did indeed push them to move faster," it said in a statement. "But to suggest that they knew about Russian interference and either tried to ignore it or prevent investigations into what had happened is grossly unfair."

But the company's critics are pouncing. Several top advertisers took shots at Facebook in the wake of the NYT investigation. (Rishad Tobaccowala, Publicis's chief growth officer, said that the social network had "absolutely no morals.") And Axios reported that the former hedge fund executive David Magerman was the initial donor behind a high-profile campaign calling on regulators to break up the company.

An NYT Op-Ed argues that the only way to find out what Facebook really knew -- and when -- would be through hard-hitting congressional hearings.

More Facebook news: The company said it would create an independent oversight group to review content moderation appeals. And fewer computer science graduates want to work there.

Nobody is breathing easy over Brexit

Britain's draft deal to leave the European Union ratcheted up tensions yesterday: Several cabinet officials resigned, and a serious threat to Prime Minister Theresa May's leadership emerged. Today could be equally wrenching.

The pound began falling after Dominic Raab resigned as Brexit minister, and was down about 2 percent at the end of the day. As Peter Eavis of DealBook notes, a continued decline could prompt investors to dump British stocks and government bonds.

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Businesses became increasingly worried that Mrs. May's draft agreement -- which may be Britain's only shot at leaving the E.U. with a deal, and at offering corporations some much-needed certainty -- would not make it through Parliament. Shares in British banks like the Royal Bank of Scotland and Barclays tumbled, and some corporate leaders said they feared that a no-deal Brexit was more likely than ever.

The pound traded up slightly this morning to \$1.28, suggesting that a measure of stability had returned to the markets. But with rumors of more cabinet resignations and a vote of no confidence for Mrs. May, that may change.

More Brexit news: E.U. negotiators can't stomach the idea of reopening talks.

China is a climate power broker. How will it use its influence?

When President Trump announced that he would pull the U.S. out of the Paris climate agreement, he left the global environmental campaign without clear leadership. China seems to have assumed the role, but with U.N. climate talks set to take place in Poland next month, there are numerous questions about the direction the Chinese will take.

The FT points out that while China supports the Paris agreement, the nation has also invested heavily in coal plants. Depending on how it approaches the December talks, the world may find that its new climate leader pulls in an unwanted direction, according to the FT's Leslie Hook and Lucy Hornby:

Worryingly for countries that used to rely on Washington to push for a strong climate agreement, Beijing's influence could steer the Paris agreement toward a slower pace of climate action, with more flexible rules for developing countries.

Coming up

America announces a rival to China's global infrastructure initiative. Vice President Mike Pence is expected to describe a new "private-sector driven" investment plan tomorrow at the Asia-Pacific Economic Cooperation meeting in Papua New Guinea. The aim: to dampen Beijing's international investments.

The Fed publishes industrial production data. Economists expect the measure to have climbed 0.2 percent last month after a 0.3 percent rise in September.

Trump's trade views haven't changed since the '80s

Many of President Trump's policy positions have changed over the decades, but not how he thinks about global trade. That appears to be rooted in the 1980s, when he criticized Japan for taking advantage of the U.S. and buying up American real estate.

These days, he uses the same ideas but aims them at China, not Japan. Personal grudges against Beijing may have played a role, as the WSJ points out:

Mr. Trump's observations on China -- based on his own experiences and stories from friends and business associates -- gave his old views on trade a new urgency. He could find only Chinese glass and furniture for his buildings, despite looking for U.S.-made versions, he complained. The Trump Organization failed in at least four attempts at property deals in China. He struggled to secure trademarks in the country for the coveted Trump name.

That may mean an end to his trade fight with Beijing won't come soon. We may find out when he meets with President Xi Jinping of China at the Group of 20 meeting in Buenos Aires this month.

Business leaders lay out principles for better capitalism

The Embankment Project for Inclusive Capitalism, an initiative created by the Coalition for Inclusive Capitalism and the consulting firm EY, released a report today outlining important focuses for business in the future.

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Among the findings, drawn from comments by over 30 C.E.O.s: better corporate governance, improved human resources management and working with external groups on social and environmental goals.

The take of Mark Weinberger, EY's global chairman and C.E.O.: "It is time to update how we value companies and measure their impact on all stakeholders, not just shareholders."

The Justice Department prepared an indictment of Julian Assange

Prosecutors inadvertently mentioned charges against Mr. Assange, the WikiLeaks founder, in an unrelated court filing this year. Mr. Assange has lived for years in the Ecuadorean Embassy in London and would have to be arrested and extradited if he is to face charges in federal court.

Charlie Savage and Michael Schmidt of the NYT write that the indictment amounts to "a drastic escalation of the government's yearslong battle with him and his anti-secrecy group." They add:

The disclosure came as the special counsel, Robert S. Mueller III, is investigating links between President Trump's associates and Russia's 2016 election interference. WikiLeaks published thousands of emails that year from Democrats during the presidential race that were stolen by Russian intelligence officers. The hackings were a major part of Moscow's campaign of disruption.

The speed read

Deals

Dell sweetened an offer to buy out investors in a special tracking stock, paving the way for it to return to the public markets. (DealBook)

Post Holdings plans to spin out its nutrition business, including PowerBar energy snacks, into a separate publicly traded company. (WSJ)

The hedge fund mogul Paul Tudor Jones warned of a "bubble" in the corporate debt market. (FT)

While G.E. is flailing, its former C.E.O. Jeff Immelt is striking deals again on behalf of Athenahealth. (Bloomberg)

The wedding dress retailer David's Bridal said that it planned to file for bankruptcy protection. (CNBC)

Politics and policy

Republican lawmakers are scrambling to avoid a government shutdown next month over President Trump's demand for funding of a border wall. (NYT)

The Republican tax cuts will be eroded by a change to the I.R.S.'s inflation calculations. (WSJ)

Mick Mulvaney has reportedly begun campaigning for Wilbur Ross's job as commerce secretary. (Politico)

Senator Elizabeth Warren demanded that consulting firms like Booz Allen Hamilton and Boston Consulting Group disclose more information on their work for Saudi Arabia. (Bloomberg)

Shares in PG&E rose in post-market trading yesterday after a regulator appeared to rule out a bankruptcy filing by the California power company. But the utility could still be broken up.

Trade

Washington and Beijing have reportedly doubled down on efforts to reach a trade truce. (FT)

Imports into U.S. ports have surged as retailers and manufacturers scramble to ship products before a new wave of tariffs in January. (WSJ)

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The E.U. trade commissioner said that Brussels was "ready" to retaliate if Washington placed tariffs on European cars. (FT)

Tech

A rebound in tech shares helped lift the stock markets yesterday. (WSJ)

Why Amazon should have put one of its new offices in America's heartland. (Also, here's what the two neighborhoods it picked for its new hubs look like now -- because they won't stay the same for long.)

Europe's competition chief says that Apple is "not a dominant company." Is she right? (FT)

Tesla's "delivery logistics hell" is real for some of its customers. (NYT)

The crash in cryptocurrencies has given Nvidia, whose computer chips are used to mine digital currencies, a hangover. (WSJ)

A start-up will give you a free genome test -- in exchange for your personal data. (MIT Technology Review)

Best of the rest

Saudi Arabia again changed its story about the killing of the dissident Jamal Khashoggi, and it threatened to execute five agents suspected of being involved in the death. (NYT)

Shopping may be back in style, as consumer spending and retailer earnings appear to be rising. (FT)

The Fed chairman, Jay Powell, tried to reassure people who say they've been left behind despite America's soaring economy. The central bank also plans to review how it formulates and communicates monetary policy.

The F.D.A. plans to ban menthol cigarettes and flavored cigars, and to restrict access to flavored e-cigarettes for teenagers. (NYT)

A David Hockney painting sold for \$90 million, a record for a living artist. (NYT)

The Economist outlined a manifesto for a new capitalist revolution that "unleashes competition, forcing down abnormally high profits today and ensuring that innovation can thrive tomorrow." (Economist)

What people really think about millennials in the office. (NYT)

Thanks for reading! We'll see you next week.

We'd love your feedback. Please email thoughts and suggestions to business@nytimes.com

<https://www.nytimes.com/2018/11/16/business/dealbook/facebook-defends-itself.html>

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HEADS OF STATE & GOVERNMENT (64%); PRIME MINISTERS (64%); PUBLIC FINANCE (63%); BONDS (60%); INTERNATIONAL ECONOMIC ORGANIZATIONS (60%); COMPUTER SCIENCE (50%); HEDGE FUNDS (50%)

Company: FACEBOOK INC (90%); PUBLICIS GROUPE SA (54%)

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Person: MARK ZUCKERBERG (90%); DOMINIC RAAB (79%); SHERYL SANDBERG (79%); THERESA MAY (79%); GEORGE SOROS (54%)

Geographic: UNITED KINGDOM (92%); EUROPE (76%); EUROPEAN UNION MEMBER STATES (66%)

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